

May 1, 2003

TO: Internal File

FROM: Wayne Western, Team Lead

RE: Phase III Bond Release Application, Castle Gate Holding Company, Willow Creek Mine, C/007/038-BR03A

SUMMARY:

Plateau Mining Corporation, 847 Northwest Highway 191, Helper, Utah 84526, a subsidiary of RAG American Coal Company, 999 Corporate Blvd., Linthicum Heights, MD 21090, submitted an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for Phase III bond release. The Permittee is seeking Phase III bond release on the upper portion of Crandall Canyon. That area is identified on Exhibit 3.7-7A and 3.7-7B.

On December 17, 2001, the Division gave conditional approval for a change in the postmining land use from grazing and wildlife to recreational use. See approval of amendment 01A for details. On March 7, 2003, the Division received an application for bond release on 7.51 acres located in Crandall Canyon. The location of the parcel is as follows:

Township 12 South, Range 9 East:

Section 28: Portions of N1/2SW1/4

Section 29: Portion of N1/2SE1/4

The area is shown on the Kyune U.S. Geologic Survey 7.5 minute map. The area is also referred to as the upper Crandall Canyon area.

The upper portion of the Canyon (essentially a portion of ancillary road A-1) above the propane tank foundations was reclaimed in 1990 or 1991. Plateau Mining Corporation (PMC) will leave the reclaimed portion of the road and leachfield in its present configuration at the request of the landowner. The landowner, C-Canyon, L.C., has an understanding of and has accepted responsibility for the road maintenance in Crandall Canyon after bond release.

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TECHNICAL ANALYSIS:

RECLAMATION PLAN

POSTMINING LAND USES

Regulatory Reference: 30 CFR Sec. 784.15, 784.200, 785.16, 817.133; R645-301-412, -301-413, -301-414, -302-270, -302-271, -302-272, -302-273, -302-274, -302-275.

Analysis:

On December 17, 2001, the Division gave conditional approval for a change in the postmining land use from grazing and wildlife to recreational use. See approval of amendment 01A for details.

Findings:

The Permittee has met the minimum requirements for the postmining land use.

APPROXIMATE ORIGINAL CONTOUR RESTORATION

Regulatory Reference: 30 CFR Sec. 784.15, 785.16, 817.102, 817.107, 817.133; R645-301-234, -301-412, -301-413, -301-512, -301-531, -301-533, -301-553, -301-536, -301-542, -301-731, -301-732, -301-733, -301-764.

Analysis:

The requirements for achieving the approximate original contour requirements are couched in the backfilling and grading regulations. To better understand those requirements the Division wrote Technical Directive-002. The requirements for achieving the approximate original contour requirements can be changed or modified if the Permittee has been granted an alternative postmining land use change.

A permittee may be granted a variance from the AOC requirements if all of the following requirements are satisfied:

1. The Division grants, in writing, a variance from approximate original contour restoration requirements.

The Division granted a change in the postmining land use as part of amendment AM01A, which was conditionally approved on December 17, 2001.

2. The alternative postmining land use requirements are met.

The area has been reclaimed to support the alternative postmining land use that is recreation. The Division approved plans to allow the leach field area to remain as a flat area and the road to remain.

3. All applicable requirements of the Act and the Regulatory Program, other than the requirement to restore disturbed areas to their approximate original contour, are met.

The area was reclaimed in 1990 and 1991. At that time the Division found no problems with the reclamation activities. As part of the bond release process the Division will review the entire requirements for bond release. Should a deficiency be found the Division would have the Permittee correct the problem before bond release.

4. After consultation with the appropriate land use planning agencies, if any, the potential use is shown to constitute an equal or better economic or public use

This was done as part of the change in the postmining land use change. See Amendment AM01A for details.

5. The proposed use is designed and certified by a qualified registered professional engineer in conformance with professional standards established to assure the stability, drainage, and configuration necessary for the intended use of the site.

The designs were certified as part of the change in the postmining land use change. In addition to those designs the Permittee also included Exhibit 3.7-7A and 3.7-7B. Those designs were certified by a professional engineer and show the design of the postmining land use.

6. After approval, where required, of the appropriate State environmental agencies, the watershed of the permit and adjacent areas is shown to be improved.

Those issues were discussed in Amendment AM01A and shown to be adequate.

7. The highwall is completely backfilled with spoil material, in a manner which results in a static factor of safety of at least 1.3, using standard geotechnical analysis

No highwall or spoil existed at the site.

8. Only the amount of spoil as is necessary to achieve the postmining land use, ensure the stability of spoil retained on the bench, and meet the other requirements of the Act and

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regulations may be placed on the mine bench. All spoil not retained on the bench will be placed in accordance with all other applicable regulatory requirements.

No spoil is resented at the site.

9. The surface landowner of the permit area has knowingly requested, in writing, that a variance be granted, so as to render the land after reclamation suitable for an industrial, commercial, residential, or public use (including recreational facilities.)

This was done as part of the change in the postmining land use. See Amendment AM01A for details.

10. Federal, State, and local government agencies with an interest in the proposed land use have an adequate period in which to review and comment on the proposed use.

All Federal, State, and local government agencies were given a chance to review and comment on the change in postmining land use as part of the approval of amendment AM01A. Those agencies will be notified of Phase III bond release and given a chance to review, comment and participate in an on site inspection of the property.

Findings:

The Permittee has met the minimum requirements for restoring the site to the approximate original contours.

BACKFILLING AND GRADING

Regulatory Reference: 30 CFR Sec. 785.15, 817.102, 817.107; R645-301-234, -301-537, -301-552, -301-553, -302-230, -302-231, -302-232, -302-233.

Analysis:

General

Because the backfilling and grading requirements for an alternative postmining land use were discussed in the Approximate Original Contour section of the TA. The Division analyzed information and found that the Permittee meet the minimum requirements for backfilling and grading. In addition to the findings in this TA the Division also found that the site meet the minimum backfilling and grading requirements when they processed amendment AM01A.

Findings:

The Division found that the Permittee met the minimum requirement for backfilling and grading.

MINE OPENINGS

Regulatory Reference: 30 CFR Sec. 817.13, 817.14, 817.15; R645-301-513, -301-529, -301-551, -301-631, -301-748, -301-765, -301-748.

Analysis:

No mine openings are located on the site.

Findings:

The Permittee has met the minimum requirements for the mine openings section of the regulations.

ROAD SYSTEMS AND OTHER TRANSPORTATION FACILITIES

Regulatory Reference: 30 CFR Sec. 701.5, 784.24, 817.150, 817.151; R645-100-200, -301-513, -301-521, -301-527, -301-534, -301-537, -301-732.

Analysis:

Reclamation

The Permittee did not reclaim any roads at the site.

Retention

Retention of the road was approved as part of Amendment AM01A, which involved a change in the postmining land use. The reclamation work for the area was done in 1990 and 1991. To date the Division has not found problems with the road.

Findings:

The Permittee met the minimum requirements for Road Systems and Other Transportation Facilities.

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MAPS, PLANS, AND CROSS SECTIONS OF RECLAMATION OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-323, -301-512, -301-521, -301-542, -301-632, -301-731.

Analysis:

Affected Area Boundary Maps

The Permittee is not seeking a reduction in the permit or affected area at this time. A permit area reduction will take place after Phase III bond release has been approved.

Bonded Area Map

The Permittee shows the area for which Phase III bond release will occur on Exhibit 3.7-7A and 3.7-7B.

Reclamation Backfilling And Grading Maps

The Permittee reclaimed the area in 1990 and 1991. In 2001 the Division approved an change in the postmining land use to allow the Permittee to retain the leachfield area and the road. Exhibit 3.7-7A and 3.7-7B show the reclaimed area.

Reclamation Facilities Maps

Exhibit 3.7-7A and 3.7-7B shows that the area has been reclaimed to accomidate recreational use. The facilities that were left to accomplish that use include the road and the leachfield. The leachfield was left in place for a level area for recreational activities.

Final Surface Configuration Maps

Exhibit 3.7-7A and 3.7-7B show the reclaimed area and the final surface configuration. Note: the final surface configuration was approved in Amendment AM01A.

Reclamation Monitoring And Sampling Location Maps

No reclamation monitoring or sampling locations are within the area proposed for Phase III bond release.

Reclamation Surface And Subsurface Manmade Features Maps

The surface and subsurface manmade features are minimal and include the road and leachfield. Those features are shown on Exhibit 3.7-7A and 3.7-7B.

Reclamation Treatments Maps

No reclamation treatments facilities are present at the site.

Certification Requirements.

A registered professional engineer has certified exhibits 3.7-7A and 3.7-7B.

Findings:

The Permittee has met the minimum requirements for the maps and cross section requirements of the regulations.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

On December 17, 2001, the Division gave conditional approval for a change in the postmining land use from grazing and wildlife to recreational use. See approval of amendment 01A for details. On March 7, 2003, the Division received an application for Phase III bond release on the abovementioned area.

Notification

The requirements of R645-301-880.120 are that within 30 days after the application for bond release has been filed; the Permittee will submit a copy of an advertisement. The notice of advertisement will:

- Be placed in a local paper for four successive weeks.
- Contain:
 - The Permittee's name, given as Plateau Mining Company.
 - Permit number, given as C/007/038.

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- Approval date for the permit. The date was not included but the Division believes that there is enough information for the public to be informed of the mining activities.
- Precise location, location given in Township, Range and Section.
- Number of acres, 7.51 will be granted bond release.
- Type and amount of bond and portion sought for release. The Permittee did not mention this but no bond reduction is being sought.
- Dates of reclamation work, this is not applicable because of the change to recreation.
- Describe the type of reclamation work, postmining land use changed to recreational.
- How to contact the Division, the Division's address and other information is given.

Letters

The permittee send letters to each of the following:

- Adjacent landowners,
- Planning agencies,
- Sewage and water treatment authority,.
- Water Companies,.

Notarized Statement

The Permittee submit a notarized statement stating that all the reclamation work has been done.

Inspection and Notification

The requirements of R645-301-880.200 are for an inspection and notification of interested parties.

- The Division needs to conduct an inspection.
- Within 60 days, the Division must notify the Permittee, the surety and other interested parties of the Division's decision.

Phase III Bond Release Requirements

- The general requirement for Phase III bond release is that Phase I and Phase II have been completed. However, since the reclamation plan calls for the implementation of an alternative postmining land use, the general requirements do

not always apply. Instead of completing Phase I and Phase II, the Permittee has implemented the alternative postmining land use that is industrial. The postmining land use for recreation was achieved by the backfilling and grading plan which allowed a flat area to be left.

- Because the postmining land use is recreational, the Permittee does not have to meet the vegetation requirements of R645-301-357.
- The alternative postmining land use is for recreation and the landowner has agreed to maintain the area.
- Because the postmining land use is recreation, the Permittee does not have to meet the requirements of R645-301.
- A detailed demonstration that the approved postmining land use is achieved. The landowner has stated in a letter to the Division that the area will be used for recreation and the Division has approved the postmining land use change.
- No subsidence features have been noticed in the area since mine stopped.

Form of Bond

The form of the bond will not change.

Determination of Bond Amount

The amount of the bond will not change.

Terms and Conditions for Liability Insurance

The liability insurance will not change.

Findings:

The Permittee has met the minimum requirements for bond and insurance as required by the regulations.

RECOMMENDATIONS:

The Division should approve the Permittee's application for Phase III bond release a Crandall Canyon but postpone bond release until the Division has conducted a bond release inspection and found that the site meets the minimum requirements for Phase III bond release, notified the bond company and received concurrence from all other agencies.